



CHRIS R. CARTER, CPA  
ANN M. FISHER, CPA  
SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA

STILES, CARTER & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CPAS  
KENTUCKY SOCIETY OF CPAS

Members of the Board of Education of  
Madison County School District  
Richmond, Kentucky

In planning and performing our audit of the basic financial statements of Madison County School District for the year ended June 30, 2016, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated September 29, 2016, contains our report on the District's internal control. This letter does not affect our report dated September 29, 2016, on the financial statements of the Madison County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, the members of the Madison County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stiles, Carter &amp; Associates".

Certified Public Accountants  
Elizabethtown, Kentucky  
September 29, 2016

## **MADISON COUNTY SCHOOL DISTRICT**

### **COMMENTS**

June 30, 2016

#### **PRIOR YEAR UNCORRECTED COMMENTS**

##### **FOLEY MIDDLE SCHOOL**

###### **SEGREGATION OF DUTIES**

We noted that during review of the client's questionnaire, the CFT is responsible for entering invoices, printing checks, and matching invoices to checks. Redbook requires that these duties be segregated.

###### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

###### **EXTERNAL SUPPORT/BOOSTER CLUBS**

We noted that the Boys' Soccer Booster Club did not have FY 2015-2016 liability insurance on file.

###### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

###### **INVENTORY CONTROL**

We noted during review of inventory that both the Archery and Renaissance clubs had concessions sales for the school year. We noted no Inventory Control Worksheet (F-SA-5) on file for Archery concessions, and that the Renaissance concession inventory was not maintained on a monthly basis. Redbook requires that worksheets be maintained throughout the year until ending inventory is zero, or until the end of the school year, whichever comes first.

###### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

##### **MADISON CENTRAL HIGH SCHOOL**

###### **RECEIPTS**

We noted Receipt #8370 was for the collection of football t-shirt sales. The Multiple Receipt Form had 11 students listed, but were all signed by the sponsor. Redbook requires students in 3<sup>rd</sup> grade and above to sign the Multiple Receipt Form themselves.

###### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

###### **UNALLOWABLE PURCHASES**

We noted Check #23636 was used to buy EPES laser receipts. The purchase was made out of the General fund. Redbook states that office supplies should not be purchased out of the General fund.

We noted Check #23964 was used to buy flowers for a funeral. The purchase was made out of the Boy's Basketball fund, and included \$3.30 of sales tax. Per Redbook, the flowers should have been bought using a staff-generated fund and sales tax should not have been paid.

###### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **BOOSTER CLUBS**

We noted the school had booster clubs for baseball, boys' soccer, girls' golf and band. The baseball booster club was missing a budget, a list of officers and proof of an FEIN. The boys' soccer booster club was missing an AFR. The girls' golf booster club was missing an AFR, a budget, a list of officers, proof of insurance and proof of an FEIN. The band booster club was missing a budget, a list of officers, proof of insurance and proof of an FEIN.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **MADISON SOUTHERN HIGH SCHOOL**

#### **BOOSTERS**

We noted during review of booster club documentation that the Project Graduation club did not have record of liability insurance on file. We also noted that the Band club did not have a signed budget on file. Redbook requires that both of these items be on file.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **UNALLOWABLE PURCHASES**

We noted that check #31404, dated 11/05/2015, was a reimbursement for the cost of stage lighting. Redbook disallows purchases for operational expenses from student-generated funds.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **CURRENT YEAR COMMENTS**

#### **DANIEL BOONE ELEMENTARY SCHOOL**

#### **FUNDRAISER WORKSHEET**

We noted that the Fundraiser Worksheet (F-SA-2B) for the Chorus T-shirt Sales fundraiser did not have the date the form was completed. Redbook requires the form be properly completed and turned in within one week of the termination of the fundraising event.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **IMPROPER FUND**

We noted Check #2165 was used to purchase staff t-shirts. This purchase was made out of the Chorus fund. Redbook states that purchases solely benefit the staff/faculty should not be made with student-generated funds.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **GLENN MARSHALL ELEMENTARY SCHOOL**

#### **INVENTORY WORKSHEETS**

We noted concessions were held for two archery tournaments. A breakdown of the beginning inventory was hand written on the Fundraiser Worksheet Forms. There was inventory left over after both tournaments, but with no breakdown of what was left over. Redbook requires inventory control worksheets to be properly completed when tracking inventory.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **DISBURSEMENTS**

We noted that an employee was reimbursed (Check #3937) \$146.66 out of the General Fund for buying an organizer, storage bin, toaster and paper towel holder. These items are used when concessions are open, but mostly utilized by the staff and faculty. Redbook requires items that do not benefit the general student population to be purchased out of a staff-generated fund.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **KIRKSVILLE ELEMENTARY SCHOOL**

#### **UNALLOWABLE PURCHASES**

We noted check #1964, payable to Sign Source for \$194.50, was used to purchase signs and hooks for the cafeteria. Redbook states that schools should not purchase items that are improvements to the building.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **MISSING INVOICE**

We noted check # 1987, payable to Fazoli's for \$240.00, did not have an invoice attached. Redbook requires invoices to be matched with checks.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **KIT CARSON ELEMENTARY SCHOOL**

#### **FUNDRAISERS**

SCA noted that the Jump Rope for Heart Fundraiser included a Multiple Receipt Form (F-SA-6) that only listed the teacher remitting the funds. The Redbook requires that students sign their names singly when giving monies to the school.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **SALES TAX**

We noted that check #1043 on 12/3/2015 to Kroger included the payment of sales tax. Redbook requires that school purchases be tax exempt.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

#### **PURCHASE ORDER FORM**

We noted that check #1054 on 3/16/2016 to Scholastic included a purchase order (F-SA-7) with a date of 3/16/2016 and a vendor's invoice dated 3/11/2016. Redbook requires that the purchase be requested prior to ordering the goods.

#### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

## **SILVER CREEK ELEMENTARY SCHOOL**

### **UNTIMELY DEPOSIT**

We noted during review of ticket sales that the archery event held on 02/04/2016 included a deposit of gate money held longer than one business day. Monies were collected on a Thursday and deposited on Monday, 02/08/2016. Redbook requires that deposits be made by the close of the next business day.

### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

## **CLARK-MOORES MIDDLE SCHOOL**

### **CREDIT CARDS**

We noted during review of credit cards that the Hobby Lobby credit card was checked out on 10/4/2015 and returned 12/4/2015. Redbook states that credit cards must be returned by the end of the next business day.

### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

## **FOLEY MIDDLE SCHOOL**

### **FUNDRAISERS**

We noted that the Renaissance concessions fundraiser included a fundraiser approval form (F-SA-2A) and Fundraiser Worksheet (F-SA-2B). Redbook requires concession sales to include the fundraiser approval in addition to the Sales Collection Form (F-SA-17) which was not present.

We noted the school pictures fundraiser included a Fundraiser Approval Form (F-SA-2A) that did not indicate an activity account. Redbook requires proper completion of the form.

### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

### **CASH PRIZES**

We noted check #7400 dated 11/24/2015 in the amount of \$651.89 written to Wal-Mart Community for the purchase of two \$30 iTunes gift cards for rally awards from the Renaissance Fund. Redbook disallows the purchase of gift cards from student activity funds.

### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

## **MADISON CENTRAL HIGH SCHOOL**

### **INVENTORY CONTROLS**

We noted several instances on the inventory sheet for baseball concessions that the beginning balance did not match the prior month's ending balance. The inventory sheets used were not Redbook forms, and were missing a signature, a date and collection information. Redbook requires Inventory Control Worksheets (F-SA-5) to be filled out for every month where there is ending inventory.

We noted the inventory sheets for track concessions were filled out on one sheet for the whole year. Redbook requires Inventory Control Worksheets (F-SA-5) to be filled out for every month where there is ending inventory.

### **MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.

**MADISON SOUTHERN HIGH SCHOOL**

**AWARD ACCEPTANCE**

We noted that check #31592, dated 01/15/2016 and written to Wal-Mart Business in the amount of \$4,122.63 was for the purchase of various items including the purchase of an Xbox controller, seven tablets, and laptop computer. However, there were no student signatures verifying that students received the prizes.

**MANAGEMENT RESPONSE**

District finance personnel have discussed with school management to ensure the item is not repeated.